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# **Glossary of Financial and Grants Management Terms & Definitions**

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## **A-133 audit**

An audit required under Office of Management and Budget (OMB) Circular A-133 of state and local government and nonprofit organizations that have expended over \$500,000 in Federal funds during a given fiscal year. Under A-133, the auditor looks for compliance with general and specific government audit requirements and internal control procedures, also ensuring that adequate systems are in place that enables compliance with the specific requirements related to the Federal award expended by the organization being audited.

## **accounting**

Activities that provide information, usually quantitative and often expressed in monetary units for decision making, planning, controlling resources and operations, evaluating performance, and financial reporting to the stakeholders, donors, creditors, regulatory authorities, and the public.

## **accrual-based accounting**

A method of accounting that recognizes expenses when incurred and revenue when earned, rather than when payment is made or received.

## **advance**

A payment made to a recipient upon its request either before outlays are made by the recipient or through the use of predetermined payment schedules.

## **administrative (indirect) costs**

Administrative or indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective or program activity. OMB Circulars define these costs as Accounting, auditing, contracting, budgeting, and general legal services; Facility occupancy costs, e.g., rent, utilities, insurance, taxes, and maintenance; General liability insurance that protects the organization (not directly related to a program); Director's and Officer's liability insurance; Depreciation on building & equipment; Office Supplies; and General & Administrative salaries & wages.

## **allowable cost**

A cost is considered allowable under the grant if it is reasonable, budgeted for under the grant, complies with generally accepted accounting principles, complies with OMB circulars, is not charged against any other grant or used to match other grant funds, is treated consistently with other costs incurred by the organization, and is documented.

## **allocable costs**

Actual costs incurred that benefit more than one program for an organization; such costs must be distributed fairly between the various funding sources and they must be necessary to the overall administration of the programs to which the expense is charged.

## **assets**

Items held by the organization that increase its total wealth.

## **audit**

A review of the organization's financial statements, fiscal policies, and control procedures to determine if the statements fairly represent the organization's financial position and if procedures are in accordance with GAAP (Generally Accepted Accounting Principles).

## **audited statements**

An evaluation of a nonprofit organization's financial position by an independent auditing firm.

## **audit resolution process**

The resolution of all audit findings on grants, contracts, and cooperative agreements, including those contained in pre-award reviews of proposed contracts.

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**audit trail**

A chronological sequence of audit records, each containing evidence that detail transactions supporting summary ledger entries. This documentation may be on paper or in electronic records.

**balance sheet**

A report listing the assets, liabilities, and owner's equity on a particular day.

**bookkeeping**

The simple recording of transactions.

**budget**

A financial plan of action that is based on an organization's objectives and historical costs. It is a mechanism to help ensure that actual costs do not exceed planned amounts.

**cash-basis accounting**

A method of accounting in which the receipt and payment of cash are the basis for recording transactions.

**cash contributions**

The recipient's cash outlay, including the outlay of money contributed to the recipient by third parties.

**Central Contractor Registration (CCR)**

Primarily a vendor database for the Federal government, they collect, validate, store and disseminate data to support agencies in their procurement missions. In order to be awarded government contracts, vendors must be registered and have an active status in CCR. For how to register and who must register, visit the CCR website: [www.ccr.gov](http://www.ccr.gov)

**CFDA (Catalog of Federal Domestic Assistance) number**

The number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA). The CFDA number for RSVP is 94.002, State Commissions is 94.003, LSA-School and Community Based Programs is 94.004; LSA-Higher Education is 94.005; AmeriCorps is 94.006; FGP is 94.011; VISTA is 94.013; and SCP is 94.016.

**chart of accounts**

The formal listing of all items that need to be accounted for. The items are numbered and grouped according to whether they are assets, liabilities, fund balance, revenues or expenses. They must be established to report both natural and functional expenses and are the basis for generation of the financial statement.

**closeout**

The process by which a Federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and Federal awarding agency.

**cognizant agency (oversight agency)**

The Federal agency responsible for negotiating and approving indirect cost rates for a non-profit organization on behalf of all Federal agencies. Generally it is the Federal agency that has awarded the predominant amount of direct funding to a recipient, and when no direct funding has been awarded then the Federal agency with the predominant indirect funding shall assume this role.

**corrective action**

Action taken by the auditee that corrects identified deficiencies; produces recommended improvements; or demonstrates the audit findings are either invalid or do not warrant auditee action.

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### **cost allocation plan**

A narrative description of the procedures that will be used in identifying, measuring and allocating all costs to the programs administered by the organization.

### **cost sharing (match)**

Expenditures made by an organization with its own funds or resources (or those donated) to allow it to bear a share of the cost of meeting a predetermined cost objective. It refers to that portion of the project or program costs not borne by the Federal Government.

### **debarment**

An action taken by an official or government agency in accordance with regulations to exclude a person or organization from participating in covered transactions; the process of being excluded from receiving Federal funds.

### **depreciation**

A way of showing that equipment gets used up or worn out over time. It consists of taking the cost of a large item and spreading out the expense over time, rather than recording all of the expense at the time the item is purchased.

### **deferred revenue**

Money that the organization has received, but has not yet earned as of the closing date on the balance sheet. This amount is carried as a liability until the organization provides the goods or services for which the money was received.

### **direct cost**

Those charges that can be identified specifically with a particular final cost object, award, project, service, or other direct activity of the organization.

### **disallowed cost**

Those charges to an award that the Federal awarding agency determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.

### **Domestic Volunteer Service Act of 1973, amended 1999 (DVSA)**

Authorizes the Corporation for National and Community Service to use its funding to coordinate with Federal, state and local agencies to utilize the volunteer spirit of all Americans to serve through programs like VISTA, Foster Grandparents, Senior Companions and RSVP programs. The act also provides legislative guidelines under which the programs must operate.

### **Dun & Bradstreet DUNS Number**

A unique nine-digit number used by potential customers, suppliers, partners, or lenders to identify a business or organization and to determine any risks that may exist when working with that business/organization. An organization pays to be part of the D&B database, which records its credit history and activities.

### **employer identification number (EIN)**

A nine-digit number assigned to an organization by the Internal Revenue Service. All IRS-designated 501(c)3 nonprofit organizations have an EIN.

### **equipment**

Tangible, nonexpendable personal property having a useful life of more than one (1) year and an acquisition cost that equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or \$5,000.

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### **excess funds**

The amount of match (cash or in-kind) that exceeds the required matching percentage for a given grant program.

### **expenditures (outlays)**

Charges made to the project or program.

### **Federal award**

Federal financial assistance that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

### **Federal awarding agency**

The Federal agency that provides an award directly to the recipient.

### **Federal Financial Report (FFR)**

A report that provides summary information on grant expense (both federal and non-federal) for the reporting period. It is important that grantees submit these reports in a timely manner.

### **Federal Register**

The official daily publication of rules, proposed rules, and notices of Federal agencies and organizations, as well as executive orders and other presidential documents. It is published by the Office of the Federal Register, National Archives, and Records Administration and provides citizens with information about their rights and obligations and of notices of benefits and opportunities for funding.

### **Federal share of supplies, property, or equipment**

That percentage of the property's acquisition costs and any improvement expenditures paid with Federal funds.

### **Financial Accounting Standards Board (FASB)**

The FASB is responsible for setting common standards in accounting and financial reporting.

### **financial statements**

Standard reports that usually include an income statement, a balance sheet, and a statement of changes in financial position.

### **fiscal year**

The 12-month period of time during which revenues and expenses are tallied; this period of time does not have to correspond to the calendar year.

### **fixed costs**

Costs within annual budgets that do not fluctuate within the time period depending on usage. An example is the rent paid for office space.

### **Form 990**

The Internal Revenue Service (IRS) form used by public charities to report to the Federal government on an annual basis the information about their finances and operations.

### **fringe benefits**

Benefits to an employee other than salary or wages. These can include tax withholdings (Federal, state, FICA, and unemployment insurance), health insurance, dental insurance, pension plans and worker's compensation insurance.

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### **funding period**

The period of time when Federal funding is available for obligation by the recipient.

### **Generally Accepted Accounting Principles (GAAP)**

Conventions, rules, and procedures that define general accounting practice, including broad guidelines as well as detailed procedures issued by the American Institute of Certified Public Accountants (AICPA).

### **Generally Accepted Government Auditing Standards (GAGAS)**

Auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

### **Government Accountability Office (GAO)**

Formerly the General Accounting Office, commonly referred to as the investigative arm of Congress or the Congressional watchdog, the agency studies how the Federal government spends taxpayer dollars.

### **Government Accounting Standards Board (GASB)**

The Federal oversight agency for accounting rules and procedures as they pertain to Federal agencies or Federal funds.

### **general ledger**

A book in which each account listed in the chart of accounts has a separate page or itemization.

### **grantee (recipient)**

The direct recipient of a grant award. The grantee is legally accountable to the Federal awarding agency for the use of grant funds and is bound by the provisions and terms and conditions of the grant. The grantee is responsible for ensuring that subgrantees (subrecipients) and other organizations carrying out activities under the award comply with the provisions and terms and conditions.

### **income**

Money that the organization has received from contributions, grants, the performance of services, and so on.

### **income statement**

A report that shows the revenues and expenses for a given period during a fiscal year.

### **indirect costs**

See administrative costs.

### **indirect cost proposal**

The documentation prepared by a grantee organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for review and negotiation leading to the establishment of the organization's indirect cost rate(s).

### **indirect cost rate**

The ratio, expressed as a percentage, of an organization's total indirect costs to its specified direct cost base (generally this refers to direct salaries and wages). When a rate is established for a specific activity or program (e.g., research) the rate represents the ratio of the total indirect costs allocated to the activity or program to the specified direct base costs of the activity or program.

### **in-kind contributions (third party in-kind contributions)**

The value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies, and other expendable property,

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and the value of goods and services directly benefiting and specifically identifiable to the project or program.

### **internal controls**

A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

### **liability**

Any item that is owed, thereby decreasing total wealth.

### **management decision**

The evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision as to what correction action is necessary.

### **matching funds**

Any expenditure by an organization of its own funds or resources, or a donation to cover that expenditure, allowing the organization to bear a share of the cost of meeting a predetermined cost objective. Effectively, that portion of the project or program cost is not borne by the Federal government.

### **member (participant)**

An individual who (1) has been selected by a grantee or subgrantee to serve in an approved national service position; (2) is a United States citizen, a United States national, or lawful permanent resident alien of the United States; and (3) is at least 17 years of age at the commencement of service unless the member out of school or enrolled in a full-time, year-round youth corps, or in a program for economically disadvantaged youth, and has a high school diploma or equivalency certificate (or agrees to obtain a high school diploma or its equivalent) and who has not dropped out of elementary or secondary school to begin a term of service.

### **National and Community Service Act of 1990 (NCSA)**

Authorizes several programs to engage U.S. citizens in projects designed to combat illiteracy and poverty, provide job skills, enhance educational skills, and fulfill environmental needs; the act makes funding available for such projects.

### **net assets**

Also called "fund balance," in a nonprofit organization, this takes the place of owner's equity; it is the value of the organization as of the date of the report. At the end of a year, if revenues exceed expenses, the surplus is added to the fund balance as part of the organization's net assets.

### **obligation**

The amounts of orders placed, contracts and grants awards, services received and similar transactions during a given period that require payment by the recipient during the same or future period.

### **Office of the Inspector General (OIG)**

The OIG conducts independent audits, investigations, inspections, and special reviews of CNCS programs and personnel to detect and deter fraud, waste, abuse, and misconduct, and to promote integrity, economy, efficiency, and effectiveness in operations. The OIG has the responsibility to report both to the CEO and to the Congress. Each Federal agency or department has its own OIG.

### **Office of Management and Budget (OMB)**

The Federal agency within the Executive Office of the President that oversees and approves financial data and forms for the Federal government. It also has the responsibility for managing the entire Federal government budget process.

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### **OMB Cost Principles**

The circular that established principles to determine the allowable costs incurred by an organization under federal grants and agreements. These principles were designed to ensure that Federal awards bear their fair share of the recognized costs of the program.

### **owner's equity / net assets**

The portion of the organizational assets owned by the owner. The value of the organization's total assets less the total liabilities equals the net assets.

### **pass-through entity**

A non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program.

### **prior approval**

Written approval by an authorized official evidencing prior consent.

### **program income**

Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. This includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of items fabricated under an award, license fees and royalties, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Program income does not include the receipt of principal on loans, rebates, credits, discounts, or interest earned on any of them.

### **program services**

Services rendered by an organization for a fee or other monies; these services must relate directly to the primary purpose for which the organization received its tax-exempt status.

### **project (program) costs**

All allowable costs incurred by a recipient and the value of the contributions made by third parties in accomplishing the objectives of the award during the project period.

### **project period**

The period established in the award document during which Federal sponsorship begins and ends.

### **qualified opinion**

An independent auditor's opinion given of a financial statement as part of an audit report for which some limitations existed.

### **questioned cost**

A cost that is questioned by the auditor because of an audit finding (1) that resulted from a violation of a provision of the law, regulation, grant, cooperative agreement, or contract governing the use of Federal funds, including funds used to match Federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appeared unreasonable and do not reflect the actions a prudent person would take in the circumstances.

### **reasonable and necessary**

A requirement for all costs charged to the grant. To meet this standard, a cost must be something that a prudent person would acquire as something considered needed for the program to operate as approved.

### **recipient**

An organization receiving financial assistance directly from Federal awarding agencies to carry out a project or program.

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### **revenue**

Income during a specific period of time.

### **risk assessment**

A qualitative or quantitative estimation of the likelihood of adverse effects that may result from exposure to specified hazards or from the lack of mitigating influences. It is completed because there is always a chance that the information submitted by an organization may be incorrect, and the evaluators know that risk levels change constantly and come from both internal and external sources. Risks arise or change due to several factors, including changes in operating environment, new personnel, new information systems, rapid growth, changes in services provided, organization restructuring, or changes in accounting and reporting methods; risk factors can be mitigated with corresponding policies and procedures.

### **ruling year**

The year that the IRS granted an organization its 501(c)3 status.

### **segregation of duties**

An internal control method that allocates responsibilities among different staff so as to mitigate the misappropriation of an organization's assets; most often this has to do with concerns over the receipt and disbursement of cash.

### **Serve America Act of 2009 (Edward M. Kennedy Serve America Act)**

The Serve America Act reauthorizes and expands national service programs administered by the Corporation for National and Community Service by amending the National and Community Service Act of 1990 (NCSA) and the Domestic Volunteer Service Act of 1973 (DVSA). This was enacted on April 21, 2009.

### **shared costs**

Costs that have no specific corresponding revenue (e.g., direct grant funding to support a particular charge); these costs can be recovered by a direct administrative charge or with an approved indirect cost rate.

### **Statement of Changes in Financial Position**

Also known as a Cash Flow Statement, this is a report that compares two balance sheets that explain how funds flowed in and out of the organization to get from one cash balance to another.

### **subaward**

An award of financial assistance in the form of money, property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient.

### **subgrantee (subrecipient)**

The legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided.

### **total revenue**

Total sales and other revenue for the period indicated.

### **unliquidated obligations**

For financial reports prepared on a cash basis, this means the amount of obligations incurred by the recipient that have not been paid. For financial reports prepared on an accrued expenditure basis, they represent the amount of obligations incurred by the recipient for which an outlay has not been recorded.

### **unqualified opinion**

An independent auditor's opinion given of a financial statement as part of an audit report for which no



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reservations exist. Such an opinion basically states that the auditor feels the organization followed all accounting rules appropriately and that the financial report are an accurate representation of the organization's financial condition.

### **variable costs**

Costs in an annual budget that fluctuate within the time period, depending on usage; for example, the cost of supplies (e.g., textbooks for students).